

R 120734Z MAR 09  
FM AMEMBASSY PRETORIA  
TO SECSTATE WASHDC 7660  
INFO AMCONSUL JOHANNESBURG  
AMCONSUL DURBAN  
AMCONSUL CAPE TOWN

UNCLAS PRETORIA 000475

DEPT FOR PA/PRS, AF/S, AF/PDPA, NSC

E.O. 12958: N/A

TAGS: [PREL](#) [KPAO](#) [PGOV](#) [ECPS](#) [EINT](#) [SF](#)

SUBJECT: STATE MEDIA GIANT SINKS INTO FINANCIAL QUAGMIRE

REF: PRETORIA 1165

11. (U) SUMMARY: South Africa's state broadcaster, the South African Broadcasting Corporation, recently admitted serious financial difficulties and is applying to the Treasury for immediate help. This follows on a year of political infighting between the Thabo Mbeki-appointed Board and the Jacob Zuma-supporting executive managers and Parliamentary committee. The SABC has become a very obvious symbol of the divisions in the ANC that led to the formation of the break-away political party COPE and which are the central focus of the current campaigns for the April 22 national elections.  
END SUMMARY

12. (U) The South African Broadcasting Corporation (SABC) dominates broadcast media in South Africa, reaching 78% of radio listeners and 74% of TV viewers daily. It has been engulfed in a battle for political control between the supporters of the former South African President Thabo Mbeki and the new ANC leadership loyal to party president Jacob Zuma. The SABC has a long history as a government mouthpiece, dating back to the apartheid era. Despite efforts to recreate itself as a true "public" broadcaster after 1994, it gradually fell back into its previous role of state broadcaster and regime supporter. The internal infighting and political manipulation taking place currently are playing out very publicly in non-state print and broadcast media.

-----  
Drowning in the Red  
-----

13. (U) On March 6, SABC's Acting CEO Gab Mampone revealed that the state media giant has a deficit of R784 million for FY 2008. According to Mampone, the Corporation has been hard hit by a sharp downturn in the TV advertising market, attributing R400 million of the current deficit figure to this. (Advertising comprises 86% of the corporation's revenue. Only 2% of its funding comes from state coffers.) At present, suppliers are also demanding 50% payment prior to delivery; creditors have shortened payment terms; and debtors have had their terms extended. Expenses within the organization have grown substantially: from R4.4 billion last year to R6 billion this year.

14. (U) At the same time, the corporation also announced that it will continue to fund its ambitious 24-hour news venture, SABC International, but reduce the number of its foreign bureaus. No permanent staff will lose their jobs; however, projected cuts will affect freelancers and contractors, who make up half of the 4,000 strong workforce. SABC executives claim they are confident of turning the deficit into a R55 million profit next financial year.

15. (U) The CEO also announced that the Corporation will be meeting with various government departments, starting with the Treasury, to discuss guarantees as some banks have withdrawn overdraft facilities. The corporation is also planning to ask the government for aid of between R2 billion and R4.5 billion, although details have yet to be worked out.

16. (U) "The days of the SABC funding itself are gone," Mampone said. The model could not hold up against its "onerous" public service mandate. Some experts agree with this statement, noting that the "news operation is unnecessarily bloated as it has to send news bulletins in all 11 official languages." Other broadcasters in

Africa carry news bulletins in only one language.

¶7. (U) The SABC's financial crisis is exacerbated by a new lawsuit by a creditor seeking payment for past services. On March 4, a Johannesburg legal firm, Barry Aaron and Associates, filed a civil action suit against the corporation for failing to pay a debt of R450,000 (USD 45,000) in outstanding fees due for representing the SABC in a legal battle that ran from November 2008-January 2009. This suit sparked fears that other, larger creditors will also file for payment and force the cash-strapped corporation into liquidation.

-----  
Culture of infighting  
-----

¶8. (U) Communication Minister Ivy Catsepe-Casaburri commissioned auditing firm Deloitte & Touche (D&T) to prepare a report on the state of the SABC's management accountability and the effectiveness and viability of the Corporation itself. The report, presented to the Minister and dated January 19, 2009, states that "antagonism between SABC board members and the broadcaster's executive management has undermined the overall effectiveness of the institution's governance." According to D&T, there is an "air and culture of infighting and discontent, a sense of checking up on others, a culture of mistrust of others' actions." Interviews with SABC managers and board members turned into "gripe sessions" about the actions, conduct, and behavior of other people; their disregard for controls and authority; and "numerous references" to unnecessary overspending. According to D&T, if these allegations are true, "they indicate a breakdown in authorization, review and accountability structures and processes."

-----  
Culprits?  
-----

¶9. (U) The audit makes a number of allegations of mismanagement of funds against the Chief Financial Officer, Robin Nicholson, particularly for "flouting regulations in the Public Finance Management Act while awarding a tender." Despite this, three months later, his contract was extended by the Chairman of the Board, (Ms) Kanyisiwe Mkonza.

¶10. (U) The Communications Workers' Union claims that irregular financial activities in the office of the general manager of sales for radio and television, Strini Naicker, are largely to blame for the problems. Naicker has been accused by the Union of selling advertising at heavily discounted rates, publishing inconsistent tariff rate cards that resulted in lost advertising, and nepotism. Naicker denies this and instead blames the loss in advertising revenue on a small clique of intransigent employees, who want to remain in their "comfort zone" rather than implement new sales strategies. The Acting CEO has appointed a four-member committee to investigate these allegations.

¶11. (SBU) COMMENT: Post contacts and media reports speculate that the South African Parliament will take action to dismiss the current Mbeki-appointed SABC Board before the elections in April. The SABC in any event is a critical player in the elections, and its news coverage and airtime for the different parties is closely monitored (and constantly criticized) by all sides. Without significant private sector competition, this news giant is critical in its role as the main communication medium for most South African citizens. How the SABC political and financial drama plays out over the next two months is an indicator of national politics in general and will likely result in a clean sweep for a pro-Zuma board and new executive management. END COMMENT.

LALIME